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From: DCPLOWBOY@aol.com
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To: FarmBill
Subject: Farm Bill Comments from the American Corn Growers Association

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Please find attached Farm Bill Comments from the American Corn Growers Association.

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July 7, 2005

The Honorable Mike Johanns,
United Sates Secretary of Agriculture
1400 Independence Avenue, SW.,
Washington, DC 20250–3355.

RE: Federal Register 35221 Vol. 70, No. 116 – Friday, June 17, 2005 – Request for Public Comments to Be Used in Developing USDA Recommendations for the 2007 Farm Bill

Dear Secretary Johanns,

The American Corn Growers Association (ACGA) commends your leadership and initiative for launching this series of public forums and solicitation for comments from the public on the development of USDA's proposals for the 2007 farm bill. You commitment to this open and timely process is exceptional in today's political climate.

We will be as brief and to the point as possible and will attempt to address the six questions posed by you for this forum.

Question 1. How should farm policy be designed to maximize U.S. competitiveness and our country's ability to effectively compete in global markets?

This first question, in itself, shows the critical need for you to more closely examine what is espoused to be the "conventional thinking" for U.S. agriculture policy. Global markets, important as they are to the U.S. farm economy, have not been the driving force for our agriculture economy for over twenty years. In fact, exports have been the driving force in the U.S. agriculture economy only three times in the last century – those periods being during and immediately after World War I and World War II and when the Soviets required huge grain imports in the early 1970's. Our market growth has been in domestic sales and use. To the economic peril of the U.S. farm economy, our policy makers have mistakenly spent the last three decades insisting that the boom times of 1973 and 1974 were the normal and preferred course for the U.S. farm economy and that all we had to do to regain those glory days was to become "more competitive in the global market."

That quest for improving our competitiveness has too often, and almost always, focused on only one component of competitiveness – price. What U.S. policy makers have failed to identify is that there are many other components to competitiveness other than just price, such as quality, reliability and customer preference, to name a few. Consumers do not look only to price when buying automobiles, food, clothing or anything else for that matter. If they did our highways today would be almost exclusively traversed with KIA automobiles as opposed to the diverse mix of small and large cars and the heavy dose of SUVs, which is the reality of today's consumer preference.

In addition, it is also clear the US is the primary price leader for setting many global commodity prices. Therefore, lowering US price leaves the relative relationship of US price vs. competitor price virtually unchanged.

U.S. farm policy has come to many crossroads in our quest for improved competitiveness and almost every time we have simply chosen to reduce the prices paid to farmers and livestock producers, without regard to the aforementioned.

We had to work long and hard to improve clean grain standards, but that was done in the face of heavy opposition to our grain exporting companies and too late to avoid loosing some of our most vital export customers.

In the past and even today, we chose not to focus on raising hormone-free beef for customers who demanded same. We lost market share and have tried to regain that competitiveness through lowing our prices.

This past year it was decided that some beef processing plants in the U.S. would not be allowed to test all animals for BSE, as was requested by their customers, and again we have lost our competitiveness.

We chose not to segregate and label our non-genetically engineered corn and soybeans for our international customers who demanded same. We lost markets and have been forced to lower prices again to regain our competitiveness. The latest analysis of the American Corn Growers Foundation (ACGF) through our Farmer Choice-Customer First program, finds that the loss of our European export market, previously a large, cash-paying export customer for U.S. corn, will cost our farmers over 65 cents per bushel in 2005 because of U.S biotech policy. That is a projected loss of over $7 billion on this year's corn crop. More suffering is expected due to losses of export markets for U.S. soybeans and corn gluten. We have even sued our best customers in WTO court, under the banner of "Free Trade," to force them to buy what they do not want.

If we are to regain our competitiveness and remain competitive in global markets, we must provide our customers with something more than just the cheapest products available on the planet. We cannot succeed if we continue to ignore the other components of competitiveness, especially consumer preference.

But as we stated above, your first question, in itself, shows the critical need for you to more closely examine what is espoused to be the "conventional thinking" for U.S. agriculture policy. Your first question seems to imply that the U.S. farm policy economy is driven by our export markets. We can assure you that they have not been and we can cite recent and valid analysis to prove it. It is interesting that the first of these farm forums is being held in Tennessee, since the analysis we cite came from this great state and just a few hours east of this forum. The Agriculture Policy Analysis Center (APAC), at the University of Tennessee, Knoxville and a land-grant university, has released the groundbreaking research report *Rethinking U.S. Agriculture Policy: Changing Course to Secure Farmer Livelihoods Worldwide*[1]

ACGA has worked closely with APAC on this analysis and will continue to advance its findings and seek solutions to the inadequacies in U.S. farm policy identified therein. We ask you to thoughtfully review this research, and to consult closely with its authors, Dr. Daryll Ray, Dr. Daniel De La Torre Ugarte and Dr. Kelly Tiller.

The report concludes that even if the difficult task of negotiating the elimination of global farm subsidies is completed, family-based agriculture will continue to spiral downward as a result of continued low commodity prices. This report goes comprehensively to the heart of the ever more contentious trade issues of farm subsidies in developed countries, low world commodity prices, and global poverty.

The Genesis of the APAC report came from a group of corn farmers at ACGA. For many years, we had been pondering how to quantify several key points that we, as farmers, have observed.

First – farmers farm. They farm every available acre and produce every pound, bushel or hundredweight possible. That's what farmers do. They will produce as much as they can when prices are high to maximize profits. They will produce as much as they can when prices are low to service debt and survive.

Second – while low prices in many sectors of the economy may drive producers out of business, reduce production and put it back in line with demand, we find that, although farmers are put off the land with low prices, the land stays in production.

Third – Low prices have not expanded our exports and are detrimental to farmers, not only in the U.S., but also around the globe.

Government has been involved in agriculture policy since the beginning of recorded history by expanding production, improving technology, managing stocks, establishing weights and measures, supporting prices, etcetera. There were those seven fat years followed by seven lean years. The Chinese started a grain reserve program in 54 B.C., and operated it for 1400 years. When government-backed military force removed the indigenous people from the land on our continent, government was again expanding agricultural production. The same can be said of the trans-continental railroad, where the government gave away miles of land on both sides of the tracks for settlement and, later, crop production. Then we had the homestead programs, USDA's

[1] For more information about the study, please go to http://agpolicy.org/blueprint.html .

research and development, land grant universities and even the federal interstate highway system, which means that today 4,000-head dairies in New Mexico drive down the price of milk in Wisconsin.

Let me repeat this point – government has been involved in agriculture since the beginning of recorded history -- and will continue to do so. We must change course to make government involvement in agriculture to work for all of us, not just the processors, vertical livestock producers and merchants.

A good farm program includes not only a good commodity program, but also good programs for conservation, research, rural development, nutrition, credit, etcetera. Having said that let me point out the three components of a good commodity program as we envision it:

1. Price support, not subsidies,

2. Tools to manage stocks, and

3. Tools to manage production.

I know many of you may feel that the difference between price support and subsidies sounds like a semantic splitting of hairs. But I can assure there is a great difference. The biggest difference is who pays. The user pays for the support and the government, i.e. taxpayers, pay for the subsidy. The best analogy I can give you to share with your urban friends is the difference between the minimum wage, a support program, and food stamps, a subsidy program. And you do not have to be an economist to realize that if we increase the support program, we can reduce or eliminate the subsidy program.

One of the timeliest discoveries in Dr. Ray's work, during these times when so many developing nations are demanding an end of U.S. farm subsidies as a way to improve the economic situation for their farmers, shows that the simple elimination of U.S. subsidies will not help. Such a policy change would devastate U.S. farmers and would even reduce the prices for some commodities worldwide. What would help is a policy to improve prices in the U.S., a world price setter for many commodities, and thereby help farmers worldwide.

Managing stocks is not a new government policy. From the Joseph Plan as Henry A. Wallace called the 7 fat years, 7 lean years program, to his Ever Normal Grainery, to the Chinese program I mentioned earlier up to the Farmer Owned Reserve (FOR) we lost in the 1996 farm bill, governments have previously provided the tools to manage stocks with positive results. One last note on government stocks, another from the ACGA farmer view of agriculture economics. Did you realize that when our nation went to war in March 2003, we only had 5 hours worth of corn in the CCC reserve? We only had 8 hours worth of soybeans and 11 days worth of wheat. We had 30 days supply of petroleum in the Strategic Petroleum Reserve, but only 5 hours worth of corn.

Tools to manage production are available and used by most every sector of the economy. The generals all use production management – General Dynamics, General Electric, General Foods, General Mills and General Motors. Even both the House and Senate agriculture committees believe in production management by government. During the last farm bill deliberation, they spent hours discussing the loan rate. Their concern was that the higher the loan rate, the more incentive producers have to produce more. An erroneous assumption as reported in the APAC study. But given the fact that they decided to keep the loan rate low in order to curb over-production, it is clear that they support government tools to manage production.

ACGA does not advance the notion that the Acreage Reduction Programs (ARP) of the past would be the best way of managing overproduction. Nor do we advance the adoption of any production controls until a viable reserve is established as defined above. We do promote giving farmers tools to voluntarily manage "free stocks" as a primary way to improve farm price within a market-based system. We also see a need for a policy to advance the cultivation of more energy crops in order to provide alternatives to the over planting of crops in surplus. Bio-energy crops should be a key in any future U.S farm policy and additional user incentives should be considered for their advancement. We will expand on this issue more in our answer to a latter question.

You see, Mr. Secretary, while our policy makers have decided time and time again that low prices are the most prescribed cure for our lagging competitiveness in global markets, farmers and livestock producers find that cure to be their biggest disease. To defeat the disease of low prices we need policies that improve prices in the U.S and around the world, establish adequate food reserves and address production adjustments to enhance production of crops in short supply in favor of crops in surplus. There are efforts already underway to bring about such international cooperation on supply management, but those efforts have been limited to the academic and NGO sectors. We need our policy makers to engage in these discussions as well.

Question 2. How should farm policy address any unintended consequences and ensure that such consequences do not discourage new farmers and the next generation of farmers from entering production agriculture?

ACGA's answer to the second question, as with others several below, is intrinsic to the answer to Question 1. In brief, we strongly believe that the best way to encourage new farmers, and ensure their survivability, is to provide them with farm policy that is economically sustainable. Give us the tools to support prices at a profitable level, manage stocks and bring production in line with demand and we can avoid such unintended consequences.

Question 3. How should farm policy be designed to effectively and fairly distribute assistance to producers?

Under a price support program as suggested in Answer 1, subsidies are avoided as well as the need for payment limits. ACGA is reviewing a provision to cap the total number of production units or dollars that would be eligible under a non-recourse loan program, but have not completed an analysis at this time. One suggestion under such a cap would be to allow excess production above the cap to be entered into a recourse loan program to provide cash flow assistance to the producer and provide for more orderly marketing of the excess production. An additional consideration should be given to allow a portion, or all, of the commodities entered into such a recourse loan program for excess production to be rolled into the non-recourse loan program in subsequent crop years, thereby providing a means for producers to partially self-insure themselves against drought and other natural disasters.

Question 4. How can farm policy best achieve conservation and environmental goals?

Farm and ranch families are the most important component to an environmentally sustainable production system. A farm policy which is economically sustainable for farm and ranch families is therefore the best environmentally sustainable program. This may not answer the question of how to best achieve conservation and environmental goals, but it is a much better system than we currently have.

A proper program of price supports negates the need for expensive subsidies and allows a portion of the savings to be directed toward full funding of the Conservation Security Program (CSP), expansion of the Conservation Reserve Program (CRP), reinstate of the Agriculture Conservation Program (ACP) and other essential conservation programs.

Question 5. How can Federal rural and farm programs provide effective assistance in rural areas?

The best rural development program is a better economic return for the resources located in rural America, namely the farms and ranches. When we properly engineer a U.S. farm policy that allows a fair return for the investment, management and hard work of our farmers and livestock producers, we will rebuild the rural economy from the ground up.

But much more can be done to improve the economic viability for our rural communities. One area where rural America is already advancing to assist a nation too dependent upon imported oil is the development and expansion of renewable energy production. Ethanol, biodiesel, biomass and wind generated electricity are some of the fastest growing areas of rural economic development. We commend the work of Congress as it moves into the final stages of passing a new national energy policy. But we can do so much more. We must move toward a national energy policy which provides affordable and reliable energy from a diverse, decentralized, domestic and renewable energy system.

Since the topic of discussion is the upcoming farm bill, ACGA suggest retaining and expanding Title IX of the current farm bill (the energy title) when drafting the next farm bill, and just as importantly make sure the energy programs in the current and the new farm bill are fully funded. In the case of Section 9006 of Title IX which has been funded at near $25 million, the 2007 farm bill should provide annual funding/appropriations in the range of $250 million so that farmers and the rural economy can more quickly capture the benefits of wind and other renewable energy systems at a time when renewable energy is so desperately needed by all U.S. citizens and the U.S. economy.

Question 6. How should agricultural product development, marketing and research-related issues be addressed in the next farm bill?

ACGA may not have a compressive answer to this question, we do offer this advice -- if we are to improve our markets, both domestic and international, we must develop and produce the products our customers demand. We therefore recommend that you should rethink our current policy on segregation and labeling of genetically engineered crops and livestock, as well as our policy on allowing better, more expanded testing for BSE and any future animal health/food safety issues. In this time of modern, competitive agricultural markets, the days of growing what we want and hoping we can spend enough time and resources to convince our customers to buy it are long gone. We must first identify what they want, raise and process it as efficiently and safely as possible and capitalize on the market demands. That, Mr. Secretary, is a market driven economy. Suing our best customers in an international court to force them to buy what they do not want is not.

Another area of research which needs to be addressed is that of agricultural economics. While the department has many credible and capable economists, the economic projections advanced by the department, especially in the area of increased market access and financial improvement for the production agriculture sector projected for various trade agreements, has been too wrong too many times. ACGA suggests that the department initiate a thorough review of past economic projections and the models used in their development. Upon completion of such a review, we highly recommend an expeditious reform of the department's system of economic forecasting mechanisms. We understand that economic models and forecasting can never be a precise science, but we must have a greatly improved system, insulated from political pressures and persuasions, if we are to make the proper policy decisions for the future of U.S. farm policy.

In conclusion, we again compliment you and the Department of Agriculture for your foresight in providing these farm forums and your commitment to advance solid recommendations for the 2007 farm bill. We would also strongly suggest you solicit input on one more question in all future forums. That question should be "How do we increase farmer income and increase the producer's share of the retail food dollar to a fair and equitable level."

We stand ready to assist you in this critical endeavor to build a new farm bill.

Sincerely,

Keith R Bolin

Keith Bolin,
President
American Corn Growers Association